



Piedmont Natural Gas Company, Inc.

Allowable Ex Parte Briefing to the
Public Service Commission of South Carolina
ND-2021-40-EG

Cost of Natural Gas Prices and Electricity Prices and Its Impact on Customers

December 7, 2021 @ 2pm

PRESENTED BY:

BRUCE BARKLEY | Vice President, Rates & Natural Gas Supply

PIA POWERS | Managing Director, Gas Rates & Regulatory

SARAH STABLEY | Managing Director, Gas Supply Optimization & Pipeline Services

Allowable Ex Parte Briefing Topics

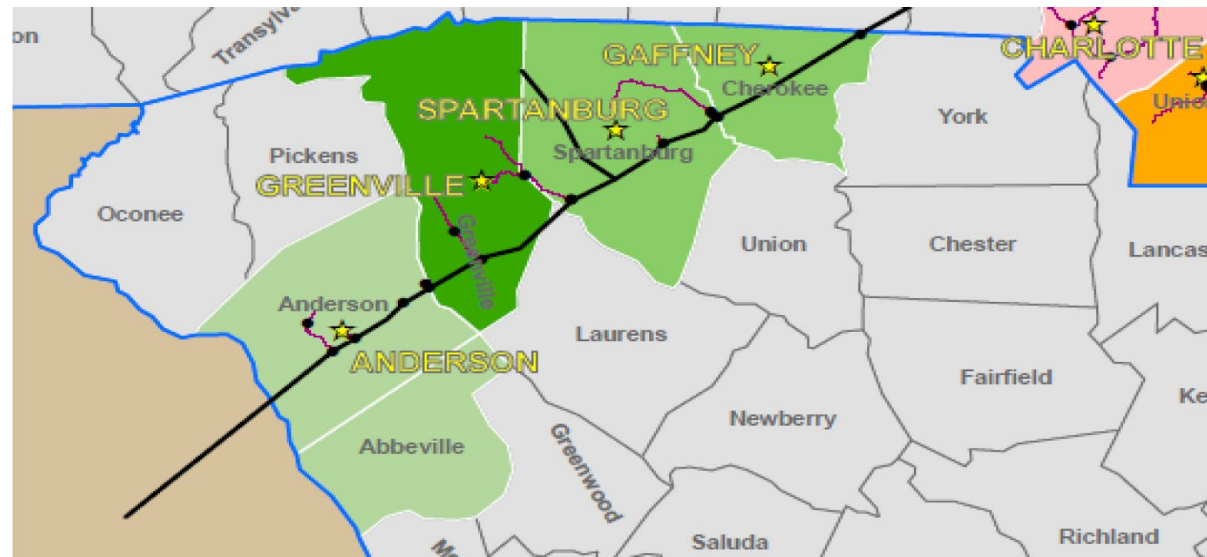


1. Overview of Natural Gas Rates and Ratemaking in SC
2. Current Wholesale Gas Prices, Trends and the Cause of these Trends
3. Impacts of Gas Price Trends to Purchased Gas Adjustment (PGA) By Customer Group
4. Customer Impacts by Increasing Gas Prices
5. Impacts of Economic Changes on Rates via Rate Stabilization Act (RSA)
6. How the PSC and Utilities can Help Keep Gas Costs/Prices Down
7. Commission Actions in Other Jurisdictions
8. Messaging Rate Changes
9. Gas Cost For Electricity

About Piedmont

Piedmont has been providing safe and reliable energy service in South Carolina since the 1950's

- Approximately 154,000 Customers (90% residential) at present
- \$479 million rate base*
- \$198 million in annualized operating revenues at present rates
- 3,881 miles of distribution pipe and 78 miles of transmission pipe**



* As of September 30, 2021

** As of December 31, 2020



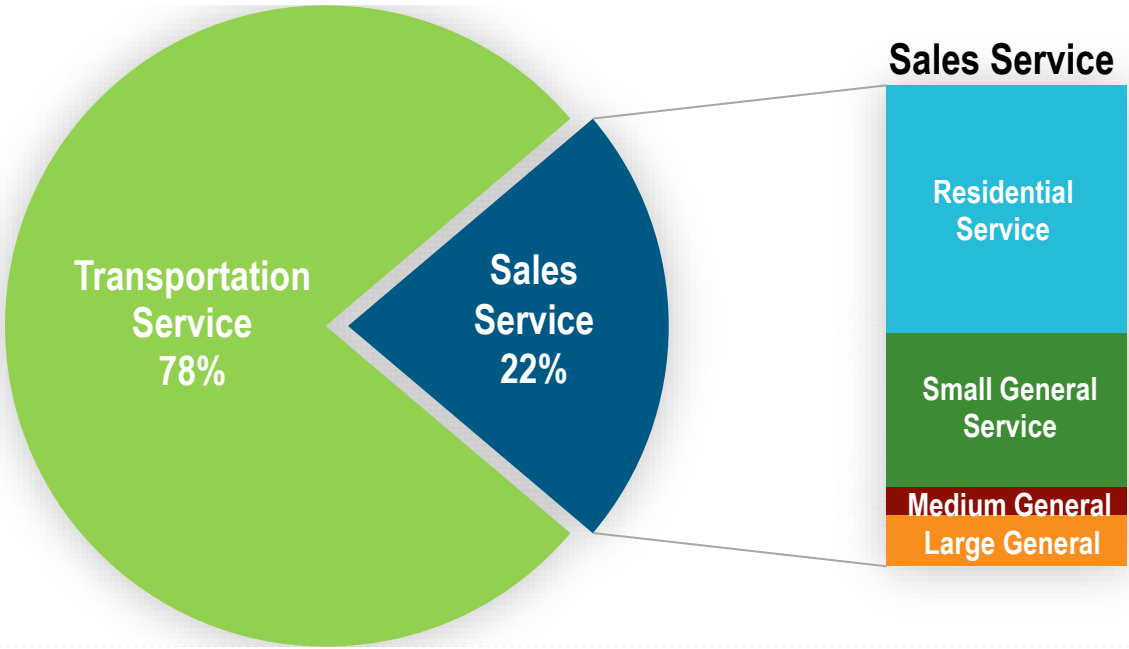
Overview of Natural Gas Rates and Ratemaking in SC

PIA POWERS | Managing Director, Gas Rates & Regulatory

Two Main Types of Gas Service from Piedmont

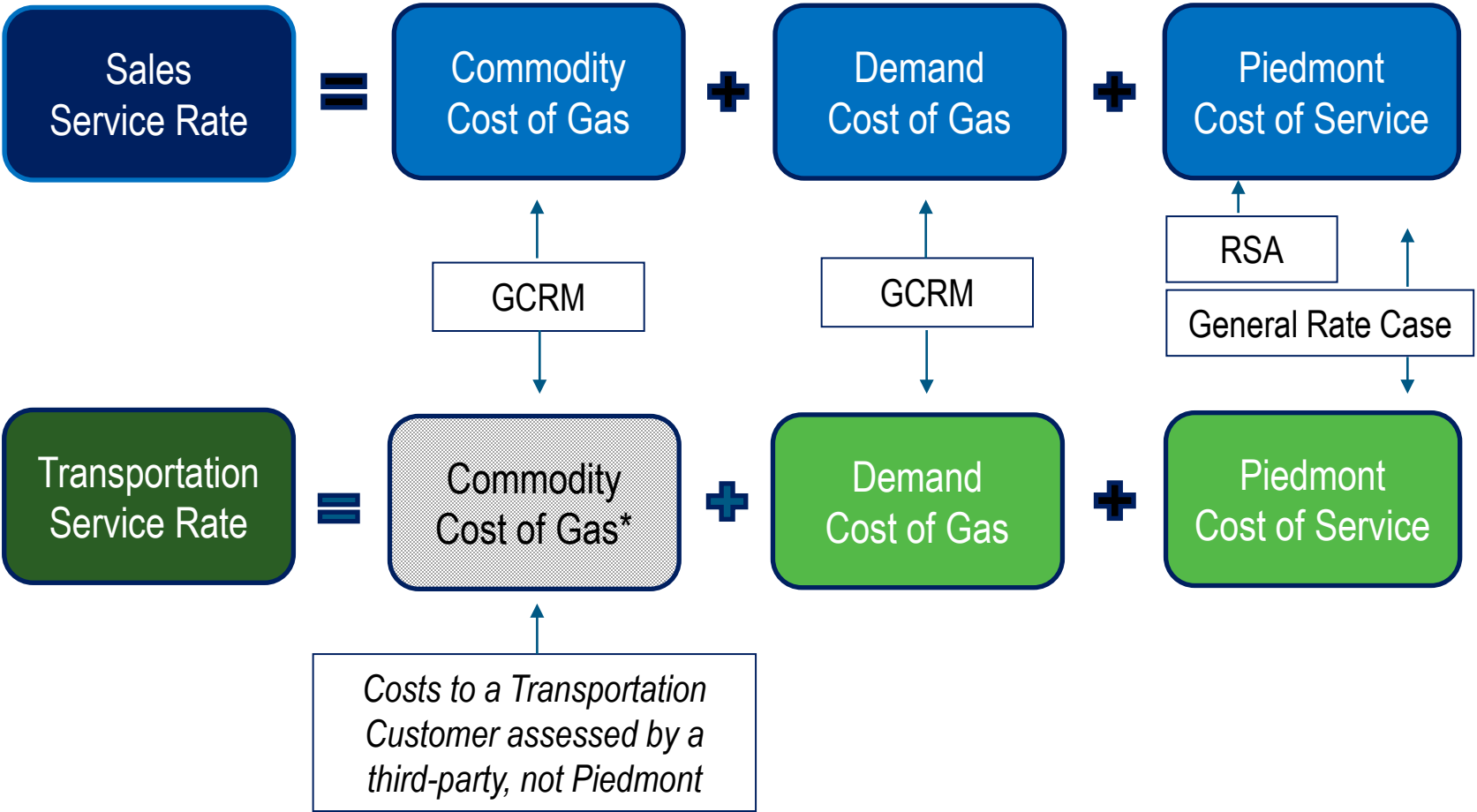
- **Sales Service:** Available to all Customers. Piedmont purchases natural gas and delivers it to the Customer's meter. *99.9% of current customer base, yet 22% of annual throughput**
- **Transportation Service:** Available only to large Customers. The Customer or its agent purchases natural gas and delivers it to Piedmont's citygate. Piedmont transports the Customer's gas from Piedmont's citygate to the Customer's meter. *<0.1% of current customer base, which is less than 100 customers, yet 78% of annual throughput**

Annual Natural Gas Usage of 67 Million Dekatherms*



* For the 12 months ended September 30, 2021

Components of Piedmont’s Rates and the Mechanisms for Adjustment



*Piedmont’s transportation rates are designed to recover the small portion of the commodity cost of gas associated with company use gas and lost & unaccounted for gas.

Gas Cost Recovery Mechanism (GCRM)

- **Commodity Cost of Gas Rates:** Piedmont frequently updates and reviews the projected balances of the Gas Cost Deferred Account to assess the need to file a request under the GCRM to adjust the rate
 - Impact of NYMEX Futures Settlements
 - Impact of changing the Commodity Cost of Gas rate
- **Demand Cost of Gas Rates:** Annual adjustment to the Demand Cost of Gas rates effective each November 1 pursuant to the annual RSA proceeding

General Rate Cases and Operation of the RSA

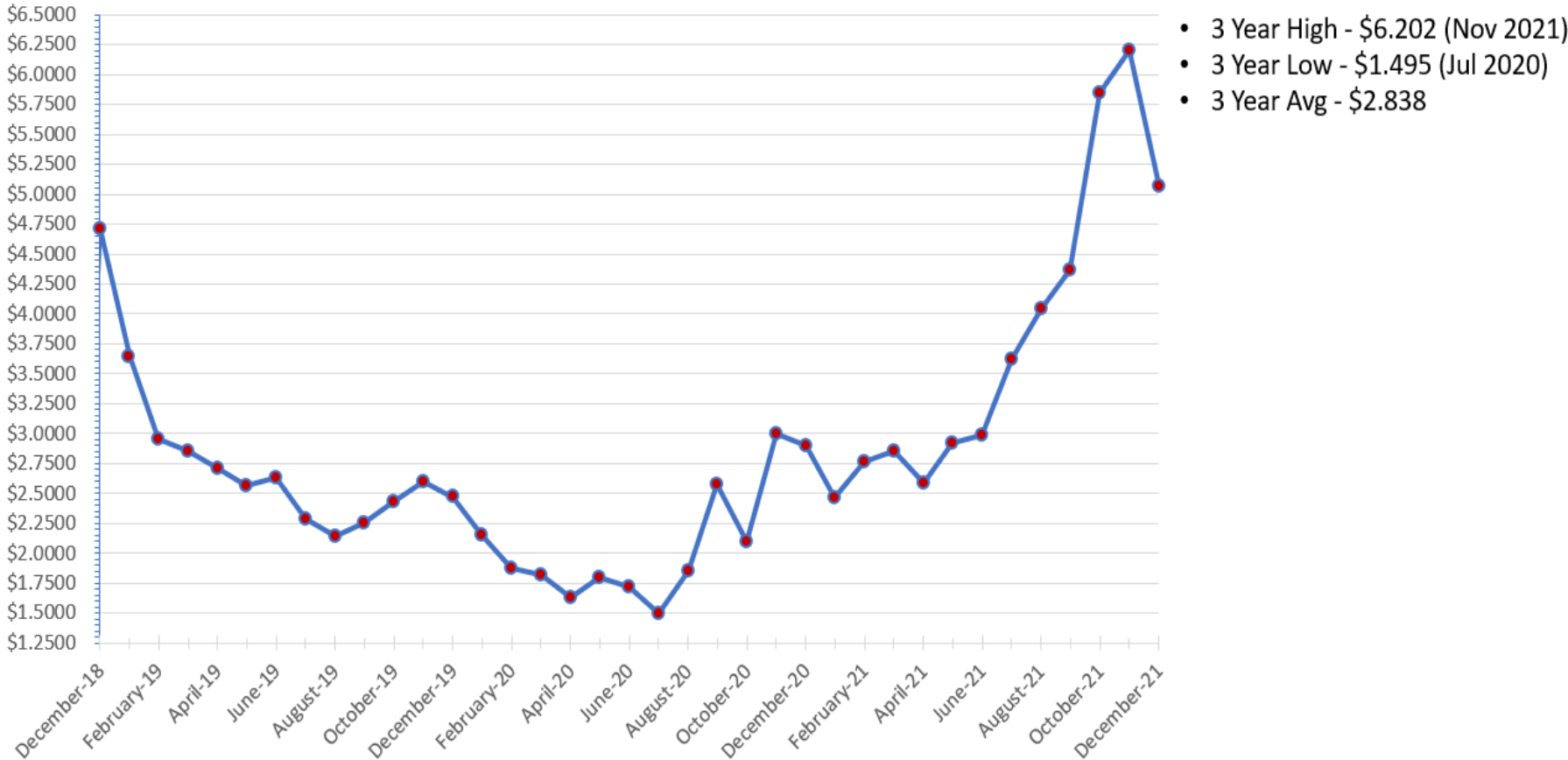
- 2002: Piedmont's last general rate case
- 2005: Piedmont began operating under the RSA
 - **Base Margin Rates:** 17 annual adjustments between 2005 & 2021, in alignment with the updated annual Cost of Service
- 2022: Piedmont's next general rate case filing pursuant to the terms of the approved 2019 RSA Settlement Agreement in Docket No. 2019-7-G



Current Wholesale Gas Prices, Trends and the Cause of these Trends

SARAH STABLEY | Managing Director, Gas Supply Optimization and Pipeline Services

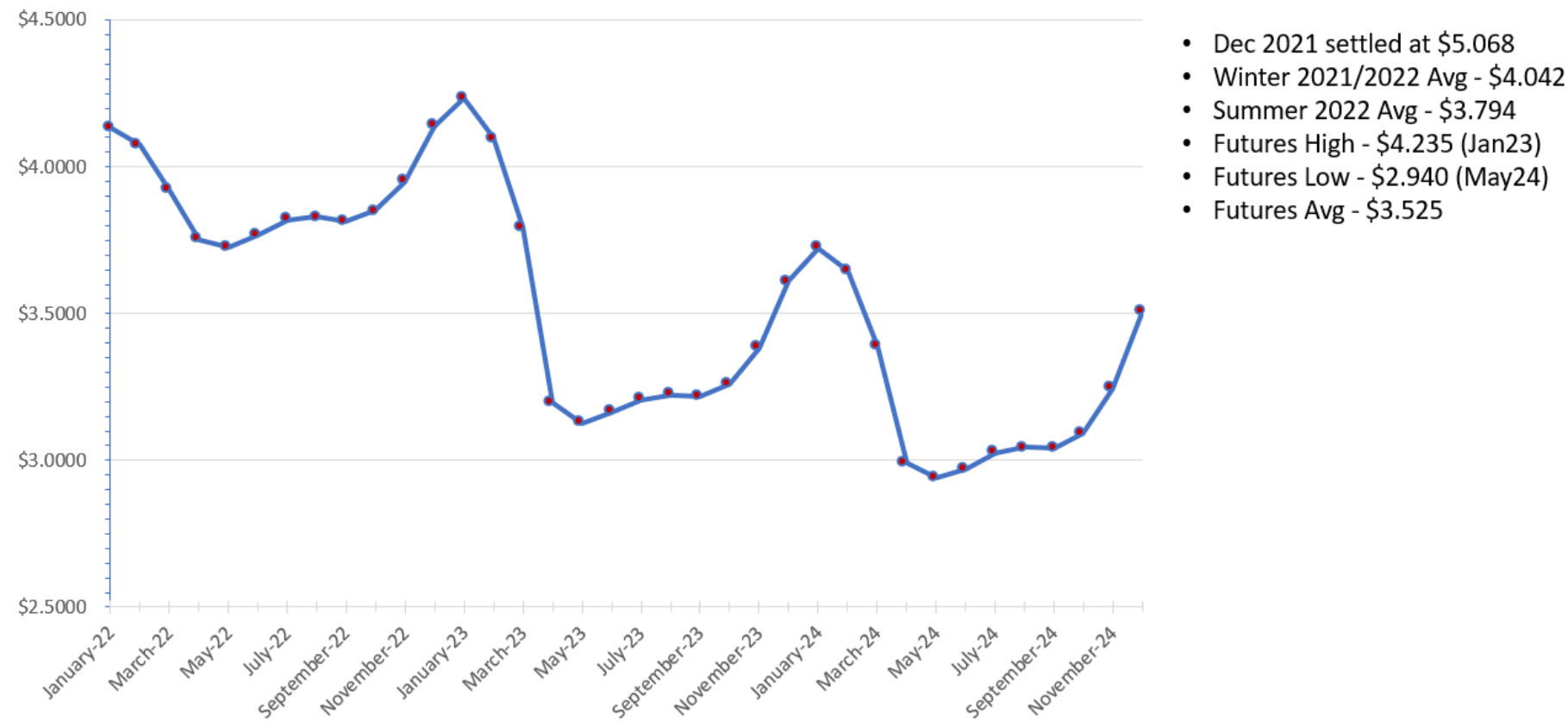
NYMEX Henry Hub Natural Gas Historical Settlements (2019 - 2021)



Why Are Natural Gas Prices at Current High Levels?

1. Hurricane Ida (August 2021)
2. Increased European and Asian market demand for LNG exports
3. Concern that winter conditions will be colder than normal
4. Relatively low natural gas storage inventories - worldwide
5. Natural gas production has been relatively flat
6. Strong domestic demand

NYMEX Henry Hub Natural Gas Futures Settlements as of Dec 3, 2021

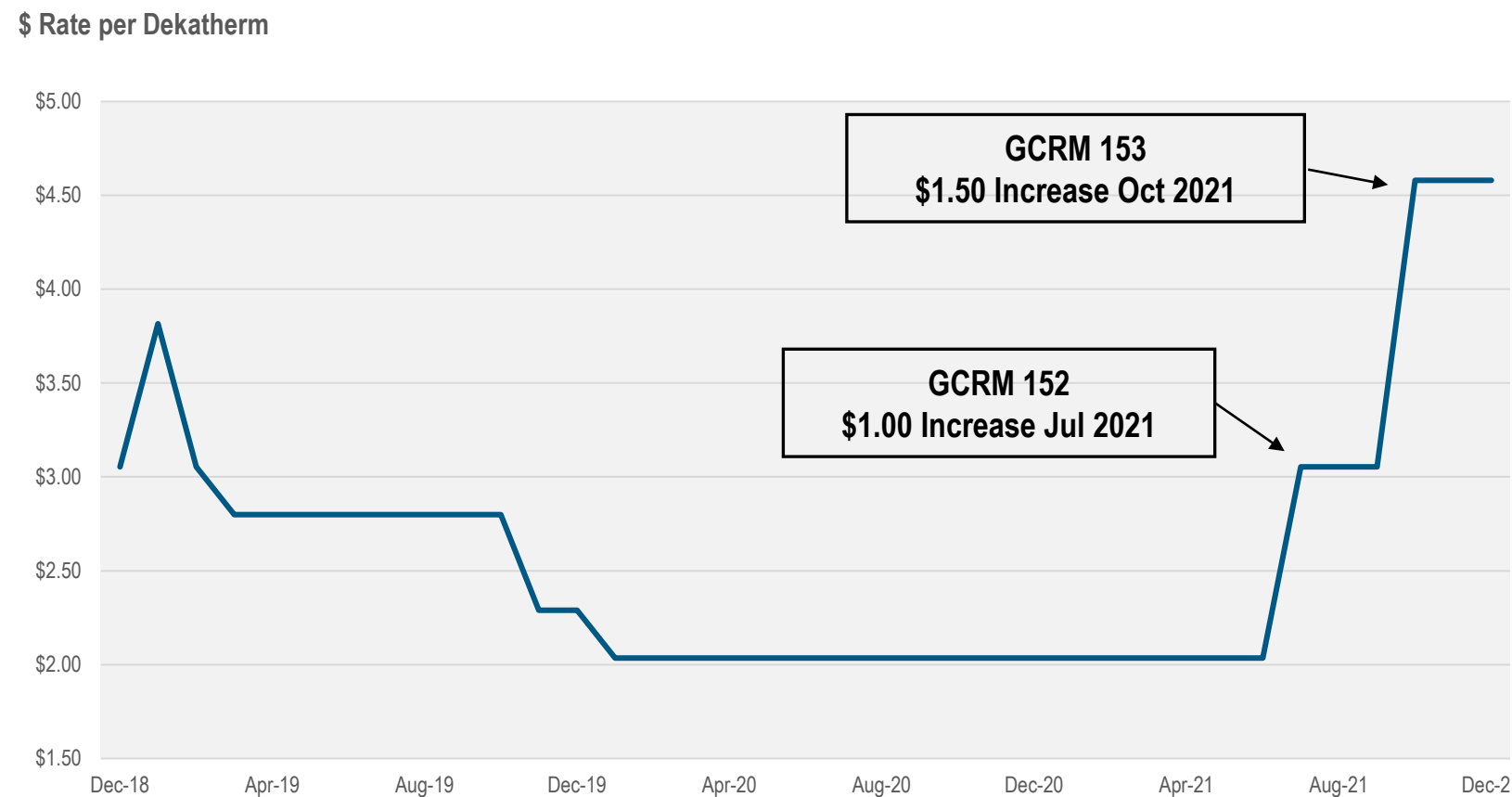




Impacts of Gas Price Trends to Purchased Gas Adjustment (PGA) by Customer Group & Customer Impacts by Increasing Gas Prices

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Piedmont's Commodity Cost of Gas Rates (2019 - 2021)



Customer Bill Impacts

- Table below compares of the annual bill for Sales Service at the \$2.00/DT vs. \$4.50/DT
Commodity Cost of Gas rate. Present rates used for all other rate components.

Sales Service Rate Schedules	Annual Usage (DTs)	<div>@ \$ 2.00 @ \$ 4.50</div>		Increase (\$)	% Increase
		Annual Customer Bill (\$)	Annual Customer Bill (\$)		
Residential Service	56	620	763	143	23%
Small General Service	308	2,689	3,473	784	29%
Large General Service Firm	25,550	113,915	178,917	65,002	57%



Impacts of Economic Changes on Rates via Rate Stabilization Act (RSA)

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Piedmont’s RSA Outcomes

- Framework Has Enabled Timely Alignment of Piedmont’s Base Margin Rates to its Prudent Underlying Costs through an Efficient & Transparent Process

Annual RSA Proceeding	Annual Margin Revenue Adjustment (\$ Millions)	Rate Base (\$ Millions)	Customer Count
2005	2.6	184.2	127,511
2006	5.7	218.2	128,618
2007	(2.5)	223.1	130,740
2008	(1.5)	218.3	132,163
2009	1.1	216.6	132,139
2010	0.8	196.5	133,340
2011	(3.1)	192.3	133,582
2012	(1.1)	187.7	134,737
2013	(0.1)	214.0	136,389
2014	(2.8)	218.0	138,376
2015	1.7	224.2	140,537
2016	8.3	246.1	142,685
2017	5.5	304.1	144,678
2018	(13.9)	341.4	147,439
2019	6.1	365.7	149,603
2020	7.1	407.6	152,118
2021	7.4	452.7	155,611

cumulative effect 21.3

146% rate base increase over this 17-year period.

Necessary for Piedmont to continue providing safe and reliable gas service to Piedmont’s growing SC customer base.



How the PSC and Utilities Can Keep Gas Costs/Prices Down & Commission Action in Other Jurisdictions

SARAH STABLEY | Managing Director, Gas Supply
Optimization and Pipeline Services

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Regulatory

Piedmont Mitigates Price Impacts through its Gas Supply Actions

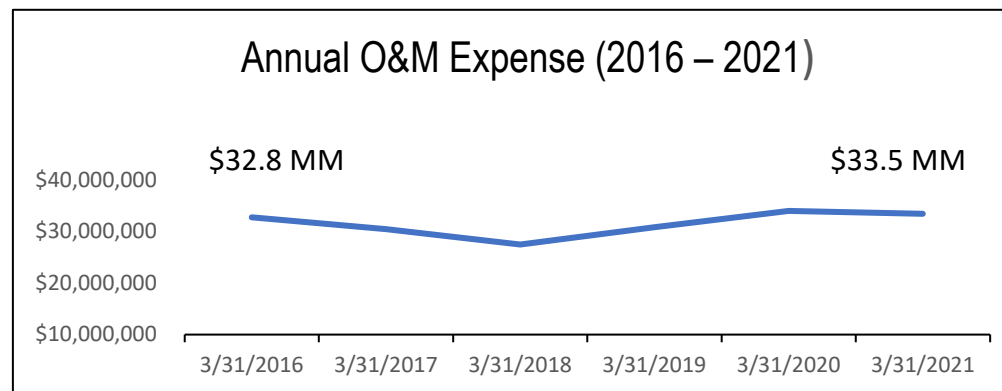
1. Utilizes storage to minimize daily supply purchases when prices spike
2. Utilizes firm transportation to procure lowest cost available daily supply
3. Contracts for daily supply calls priced at monthly and daily indices
4. Maintains a diverse supply and capacity portfolio
5. Approved Hedging Plan that includes buying NYMEX call options up to 12 months out

Piedmont Mitigates Price Impacts through Operation of the GCRM Customer Offerings and Internal Cost Controls

1. Timing of Commodity Cost of Gas Rate Requests – smoothing effect/avoids unnecessary volatility in customer rates
 - ✓ File requests with the PSC to mitigate under-collections or over-collections of gas costs and to ensure that the wholesale gas costs reflected in Piedmont's rates are reasonably consistent with the prevailing market price for natural gas, thereby avoiding the creation of artificial market signals.

Piedmont Mitigates Price Impacts through Operation of the GCRM, Internal Cost Controls and Customer Offerings

2. Control of Piedmont's operation and maintenance (O&M) expense
 - ✓ Relatively flat since 2016 despite upward pressure from inflation and customer growth



3. Helping our customer access sources of financial assistance for bills, which also helps the Company reduce bad debt expense
4. Equal Payment Plan billing option for Customers

Commission Mitigates Price Impact through its Regulation and Oversight

1. GCRM
 2. Annual Review by PSC of Purchased Gas Adjustment and Gas Purchasing Policies
 3. Annual Review of all the Company's costs and revenues under the RSA
- GCRM and Annual Gas Cost Review is largely consistent with the operation of PGA clauses in Other Jurisdictions
 - Not aware of actions by other commissions to address recent gas commodity price impacts



Messaging Rate Changes

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- Winter 2021/2022 high bill messaging to prepare and help Customers
- Content of messaging around what is impacting the Customer's bills, plus energy saving tips, bill assistance programs, Equal Payment Plan application
- Various communication channels used for messaging:
 - ✓ News release and media interviews
 - ✓ Web content on www.piedmontng.com/winterbills (includes an Equal Payment Plan video, fact sheet, etc.)
 - ✓ Social media content
 - ✓ Radio and digital advertising
 - ✓ Customer email sent the week of Nov. 1
 - ✓ The customer call center interactive voice response system and messaging from call center representatives
 - ✓ Equal Payment Plan focused email to help enroll all eligible customers



Gas Cost for Electricity

BRUCE BARKLEY | Vice President, Rates & Natural Gas Supply

Questions?